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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

August 19, 2009

Janice Quinn, Executive Director
North 7 Star Revitalization Corporation
8500 Halls Ferry Rd.
St. Louis, MO 63147

RE: Community Development Block Grant (CDBG)
(Project #2009-CDA55)

Dear Ms. Quinn:

Enclosed is a report of the fiscal monitoring review of the North 7 Star Revitalization Corporation, a not-for-profit organization, CDBG program, for the period January 1, 2008 through December 31, 2008. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of North 7 Star Revitalization Corporation. Fieldwork was completed on April 22, 2009.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Community Development Administration (CDA) to provide fiscal monitoring to all grant subrecipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Kenneth M. Stone

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Jill Claybour, Acting Executive Director, CDA
Lorna Alexander, Special Assistant for Development, CDA



CITY OF ST. LOUIS CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**NORTH 7 STAR REVITALIZATION CORPORATIONS
CONTRACT #08-31-61
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH DECEMBER 31, 2008**

PROJECT #2009-CDA55

DATE ISSUED: AUGUST 19, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
NORTH 7 STAR REVITALIZATION CORPORATION
FISCAL MONITORING REVIEW
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INTRODUCTION

Background

Contract Name: North 7 Star Revitalization Community Block Development Organization (CBDO)

Contract Program: 08-31-61

CFDA Number: 14.218

Contract Period: January 1, 2008 through December 31, 2008

Contract Amount: \$90,000

The contract provided funds from the Community Development Administration (CDA) to the North 7 Star Revitalization Corporation (Agency) to restore and revive the neighborhoods and commercial areas within the Northwest surrounding areas for low and moderate income families.

Purpose

The purpose of this review was to determine the Agency's compliance with federal, state and local CDA requirements for the period January 1, 2008, through December 31, 2008, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by CDA. Evidence was tested supporting the reports the Agency submitted to CDA and other procedures were performed as considered necessary. Fieldwork was completed on April 22, 2009.

Exit Conference

The Agency was offered an opportunity for an exit conference on July 23, 2009; however, it declined.

Management's Responses

The management's response to the observation and recommendation identified in the draft report was received from the Agency on August 11, 2009. The response has been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report, Project #2009-CDA55, issued December 10, 2008, contained two observations:

1. Failure to file employers' tax Form 941's (**Resolved**)
2. Failure to file IRS Form 990 (**Resolved**)

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2007, and was not required to have an A-133 audit

Summary of Current Observations

Recommendation was made for the following observation, which if implemented, could assist the Agency in complying with federal, state and local CDA requirements:

- Opportunity for two duly authorized signatures on checks

DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

Opportunity for Two Duly Authorized Signatures on Checks

The Agency required only one signature on grant funded disbursement checks.

CDA's Operating Agency Fiscal Procedures Manual, Section 5.2 states, "disbursement checks shall be pre-numbered and signed by the Chief Executive Officer and the Financial Officer, or any two duly authorized officers."

The grant funded disbursement checks reviewed by IAS was signed by only the Agency's Treasurer.

The Agency did not have internal control in place to ensure compliance with the check signing requirements of the CDA's Operating Agency Fiscal Procedures Manual.

Non-compliance with CDA requirements for two duly authorized signatures on grant funded disbursement checks adversely effects internal controls and increases the risk that grant funds may be misappropriated. In addition, CDA may delay or suspend processing of the Agency's reimbursement requests for not following CDA's grant funded check signing requirements.

Recommendation

It is recommended that the Agency comply with CDA procedures and designate two duly authorized officers to sign all grant funded disbursement checks.

Management's Response

The board of North 7 Star Revitalization Corporation currently has three members. Only one signs checks. We are in search of two additional board members, one of which will be added as second signer on all disbursement checks.